

SECURITIES

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1-1-01 AND ENDING 12-31-01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

*American Financial Securities, Inc.*

OFFICIAL USE ONLY

FIRM ID: NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

*6003 University Ave, Ste C*  
(No. and Street)

*Cedar Falls*  
(City)

*IA*  
(State)

*50613*  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

*H. Richard Dobson, Jr.*

*(319) 277-3553*  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

*Oltrage, Keith D.*  
(Name - if individual, state last, first, middle name)

*200 E. Main St., Denver*  
(Address) (City)

*IA*  
(State)

*50622*  
(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

**MAR 26 2002**

**THOMSON  
FINANCIAL**

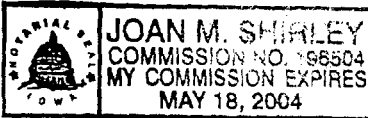
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, Howard Richard Dobson, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of American Financial Securities, Inc., as of December 31st, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

N/A



Joan M. Shirley  
Notary Public

Howard Richard Dobson, Jr.  
Signature  
Vice President and CEO  
Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

AMERICAN FINANCIAL SECURITIES, INC.

Cedar Falls, Iowa

December 31, 2001

# Keith Oltrogge CPA

200 East Main Street  
P.O. Box 310  
Denver, Iowa 50622  
(319) 984-5292  
FAX (319) 984-6408

## Independent Auditor's Report

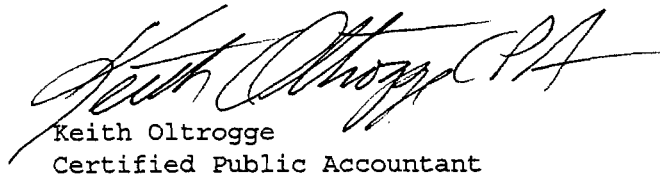
Board of Directors  
American Financial Securities, Inc.

I have audited the accompanying statement of financial condition of American Financial Securities, Inc. (an S-Corporation) as of December 31, 2001, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Financial Securities, Inc. at December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

Denver, Iowa

January 28, 2002

Restated March 12, 2002

(Exhibit B-1 and Schedule II added, footnotes corrected)

AMERICAN FINANCIAL SECURITIES, INC.  
Cedar Falls, IowaSTATEMENT OF FINANCIAL CONDITION  
December 31, 2001

## - ASSETS -

## CURRENT ASSETS:

Cash in bank	\$ 33,835
Cash in renewal account - restricted	---
Cash in daily account - restricted	910
Commissions receivable	<u>2,115</u>
Total Current Assets	<u>\$ 36,860</u>

## TOTAL ASSETS

\$ 36,860

## - LIABILITIES AND STOCKHOLDER'S EQUITY -

## CURRENT LIABILITIES:

Commissions payable	<u>\$ 3,860</u>
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## STOCKHOLDER'S EQUITY:

Common stock, no par value, stated value \$5 per share, 1,000 shares authorized, issued, and outstanding	\$ 5,000
Additional paid-in-capital	20,000
Retained earnings	<u>8,000</u>
Total Stockholder's Equity	<u>\$ 33,000</u>

## TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY

\$ 36,860

The accompanying notes are an integral part of these financial statements.

AMERICAN FINANCIAL SECURITIES, INC.  
Cedar Falls, Iowa

STATEMENT OF INCOME AND CHANGES IN STOCKHOLDER'S EQUITY  
For the Year Ended December 31, 2001

REVENUE	\$ 21,164
OPERATING EXPENSES	<u>15,664</u>
INCOME FROM OPERATIONS	\$ 5,500
OTHER INCOME	<u>2,500</u>
NET INCOME	\$ 8,000
RETAINED EARNINGS, BEGINNING OF YEAR	<u>---</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 8,000</u>
CAPITAL STOCK:	
Common stock, beginning of year	\$ ---
Stock issued - 1000 shares	<u>5,000</u>
Common Stock - End of Year	<u>\$ 5,000</u>
ADDITIONAL PAID-IN-CAPITAL:	
Balance, beginning of year	\$ ---
Capital contribution - stockholder	<u>20,000</u>
Additional Paid-In-Capital - End of Year	<u>\$ 20,000</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN FINANCIAL SECURITIES, INC.  
Cedar Falls, Iowa

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
For the Year Ended December 31, 2001

RETAINED EARNINGS, BEGINNING OF YEAR	\$ ---
NET INCOME	<u>8,000</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 8,000</u>
CAPITAL STOCK:	
Common stock, beginning of year	\$ ---
Stock issued - 1000 shares	<u>5,000</u>
Common Stock - End of Year	<u>\$ 5,000</u>
ADDITIONAL PAID-IN-CAPITAL:	
Balance, beginning of year	\$ ---
Capital contribution - stockholder	<u>20,000</u>
Additional Paid-In-Capital - End of Year	<u>\$ 20,000</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN FINANCIAL SECURITIES, INC.  
Cedar Falls, IowaSTATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 8,000
Adjustments to Reconcile Net Income to Net Cash Provided (used) in Operating Activities:	
(Increase) Decrease in Operating Assets:	
Commissions receivable	( 2,115)
Increase (Decrease) in Operating Liabilities:	
Commissions payable	<u>3,860</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 9,745</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of common stock	\$ 5,000
Proceeds from additional paid-in-capital	<u>20,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>\$ 25,000</u>
Increase in cash	\$ 34,745
Cash at beginning of year	<u>---</u>
Cash at End of Year	<u>\$ 34,745</u>
Supplemental Cash Flows Disclosures:	
Interest payments	<u>\$ ---</u>
Cash:	
Cash in bank	\$ 33,835
Cash in daily accounts - restricted	<u>910</u>
	<u>\$ 34,745</u>

The accompanying notes are an integral part of these financial statements.



AMERICAN FINANCIAL SECURITIES, INC.  
Cedar Falls, Iowa

NOTES TO FINANCIAL STATEMENTS  
December 31, 2001

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Nature of Operations

The Company is a limited broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges on the National Association of Securities Dealers (NASD).

Basis of Presentation

The Company is engaged in a single line of business as a limited mutual fund/variable annuities securities broker-dealer.

Use of Estimates in Preparing Financial Statements

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could vary from those estimates.

Allowance for Uncollectible Accounts

Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the Company's income in their individual income tax returns.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

AMERICAN FINANCIAL SECURITIES, INC.  
Cedar Falls, Iowa

NOTES TO FINANCIAL STATEMENTS  
December 31, 2001

**NOTE 2 - RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS:**

Amounts receivable from and payable to broker dealers at December 31, 2001 consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Fees and commissions receivable/payable	<u>\$2,115</u>	<u>\$3,860</u>

**NOTE 3 - NET CAPITAL REQUIREMENTS:**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2001, the Company had net capital of \$33,000, which was \$28,000 in excess of its required net capital of \$5000.

**NOTE 4 - CONCENTRATIONS OF CREDIT RISK:**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

**NOTE 5 - RELATED PARTIES:**

The Company occupies office space, rent free, in offices owned by Black Hawk Properties, owned by the same principal shareholder of American Financial Securities, Inc..

SCHEDULE I

AMERICAN FINANCIAL SECURITIES, INC.  
Cedar Falls, Iowa

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
As of December 31, 2001

Net Capital	\$ 33,000
Non-Allowable Assets	<u>---</u>
Net Capital Allowed	\$ 33,000
Required Net Capital	<u>5,000</u>
Excess Net Capital	<u>\$ 28,000</u>

See accountant's report.

SCHEDULE II

AMERICAN FINANCIAL SECURITIES, INC.  
Cedar Falls, Iowa

RECONCILIATION OF AUDITED COMPUTATION OF NET CAPITAL  
TO UNAUDITED PART II UNDER RULE 17a-5(d) (4)  
OF THE SECURITIES AND EXCHANGE COMMISSION  
As of December 31, 2001

No material differences exist.